

NEW APPLICATION



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ORIGINAL



SOUTHWEST GAS CORPORATION

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2003 DEC 17 A 11: 10

December 16, 2003

AZ CORP COMMISSION
DOCUMENT CONTROL

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

G-01551A-03-0910
E-01933A-03-0910

Pursuant to Arizona Corporation Commission (ACC) Decision No. 63846 {approval of Special Gas Procurement Agreement (Agreement) between Southwest Gas Corporation (Southwest) and Tucson Electric Power Company (TEP)}, Southwest herewith submits for the Commission's review and approval renegotiated rates applicable to the twelve-month period beginning January 1, 2004.

Southwest herewith submits an original and thirteen (13) copies of revised Exhibit A to the Agreement which has been redacted due to the commercially-sensitive nature of the information contained in the exhibit.

By copy of this letter, Southwest is providing a copy of the unredacted Exhibit A to the Commission Compliance Office, Director of the Commission Utilities Division and Commission Utilities Division Staff. The unredacted exhibit is being provided under seal in reliance upon prior Confidentiality Agreements related to Special Gas Procurement customers which have previously been executed by Southwest and Staff. In addition, Southwest is providing a copy of the Letter Agreement between TEP and Southwest.

Southwest respectfully requests that the attached Exhibit A be permitted to become effective January 1, 2004.

Respectfully,

Randall W. Sable
Manager, State Regulatory Affairs

Arizona Corporation Commission

DOCKETED

DEC 17 2003

DOCKETED BY	
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c Ernest Johnson, ACC
Robert Gray, ACC
Compliance Division, ACC

**SOUTHWEST GAS CORPORATION
SPECIAL PROCUREMENT AGREEMENT
UNDER SCHEDULE NO. G-30**

CURRENT EFFECTIVE RATES:

Basic Charge/Month (3 meters @ \$560/meter)

\$1,680.00

Usage Charge (per MMBtu):

Gas Costs¹ plus the applicable fuel and variable charges on the El Paso Natural Gas Company (El Paso) system plus a volumetric charge that shall be calculated at the beginning of each month, as soon as all indexes are published, and shall apply to all gas purchased for that month. The volumetric charge shall be calculated as follows provided, however, the volumetric charge shall never be lower than the Floor nor higher than the Cap as set forth below:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Delivery Points	Maximum Delivery Point Quantity per Day (MMBtu)	Priority
Irvington - 3950 East Irvington Road:		
Steam Units 1 & 2	40,704	P-5
Steam Unit 3	25,440	P-5
Steam Unit 4	37,134	P-5
Steam Unit 4 - Ignition Gas	1,350	P-2c
Combustion Turbine 1 & 2	18,000	P-3b
North Loop - 10600 North Casa Grande Hwy.		
Combustion Turbines 1, 2, & 3	27,000	P-3b
Combustion Turbine 4	4,800	P-2c
DeMoss Petrie - 2501 North Flowing Wells Road		
Combustion Turbine 1	18,000	P-2c
TOTAL	172,428	

Date Issued: December 5, 2003

Customer: **Tucson Electric Power Company**

<u>SOUTHWEST GAS CORPORATION</u> "Utility"	<u>TUCSON ELECTRIC POWER COMPANY</u> "Customer"
By: _____ Thomas J Armstrong	By: _____
Title: Vice President/Gas Resources and Energy Services	Title: _____
Date: _____	Date: _____



SOUTHWEST GAS CORPORATION

Thomas J Armstrong, Vice President/Gas Resources & Energy Services

December 5, 2003

Mr. Mike DeConcini
Senior Vice President, Energy Resources
Tucson Electric Power Company
One South Church Avenue
P.O. Box 711
Tucson, Arizona 85702

Dear Mr. DeConcini:

Re: Southwest Gas Corporation/Tucson Electric Power - Special Procurement Agreement

Southwest Gas Corporation (Southwest) currently provides natural gas service to Tucson Electric Power (TEP) under the terms and conditions of Special Procurement Agreement Number 36012 (Agreement) dated May 23, 2001. The pricing provisions of the first two-year period of the Agreement were extended by subsequent letter agreements through December 31, 2003. The purpose of this correspondence is to document the new pricing and minimum annual volume provisions as negotiated by both parties, pursuant to Article III of the aforementioned agreement. .

The pricing provisions, as shown on the attached "Exhibit A", will be for a one-year period beginning January 1, 2004, or as directed by the Arizona Corporation Commission. During this one-year period, a Contract Year Minimum of 4,000,000 dth will apply. If, for any reason, TEP does not use at least the Contract Year Minimum, TEP shall pay to Southwest upon demand an amount equal to the difference between the Contract Year Minimum and the actual usage multiplied by the twelve-month average of the actual monthly volumetric charges for that contractual year.

Notwithstanding the above, this service agreement is subject to potential service interruptions as a result of the recent FERC order (Docket RP00-336-000) related to El Paso capacity allocations. There may be times that Southwest will not have sufficient interstate capacity available to serve all of TEP's natural gas requirements. Potential reasons for this shortage include, but are not limited to, the unreliable nature of the "Block 2 Capacity" and the presumed availability of the Reserve Capacity Pool. During those times, Southwest will, on a best efforts basis, implement alternatives developed in conjunction with TEP.



Please acknowledge TEP's concurrence with the terms and conditions set forth in this letter by signing the enclosed copy of this letter and returning it to my attention.

Sincerely,

Thomas J Armstrong
Vice President/Gas Resources and Energy Services

AWB
12/03/03

Accepted and Agreed as of this 12th day of December, 2003:

By:
Tucson Electric Power Company